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Supreme Court of the United States

OCTOBER TERM, 1953.

No. 367.

THE AMERICAN AUTOMOBILE ASSOCIATION (INCORPORATED) and AUTOMOBILE CLUB OF NEW YORK, INC.,

Petitioners,

against

MURRAY SPIEGEL, doing business as LAKE SERVICE STATION,

Respondent.

PETITIONERS' REPLY BRIEF.

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The petition presents questions of national importance (far exceeding the interests of the immediate litigants and affecting many pending litigations) raised by the interpretation given the Lanham Act by the Court of Appeals for the Second Circuit. It points out how that interpretation differs from the interpretation of the Court of Appeals for the Ninth Circuit and urges that these questions be reviewed and the conflict resolved by this Court. Respondent's brief does not dispute the existence of these questions nor the conflict among the Circuits; rather respondent argues the merits of one line of authority and urges that questions of law now fully formulated should await the litigation of facts which, however, cannot affect the fundamental issues presented.

Respondent's brief is a studied attempt to treat the petition as premature by burdening this Court with the

merits of its defenses and by conveying the impression that many issues remain to be resolved whereas the Court of Appeals below has now established the law of this case which petitioners respectfully urge should now be reviewed.

Petitioners reaffirm the national need for judicial interpretation of the Lanham Act and submit that in this case are presented the major questions on which the Courts of Appeal have differed. Nothing in respondent's brief detracts in any way from the national importance of these questions.

POINT I.

The questions of law sought to be reviewed are formulated, require decision and will not be affected by the litigation of respondent's defenses.

The questions requiring determination have been clearly defined upon the basis of depositions and voluminous affidavits presented in the District Court and considered upon extended argument in the Court of Appeals. The Court of Appeals has established the law of the case binding upon the District Court and upon itself in making such major rulings as: (1) that infringement under the Lanham Act requires a showing of confusion or mistake as to the source or origin of goods or services and that a mere deceiving use is not a substantial violation of the Act and (2) that the Act does not give jurisdiction over a claim of unfair competition unless there is established a "substantial . . . claim under the . . . trade-mark laws." These rulings will obviously not be affected by the litigation of extraneous factual issues which have already been fully developed nor by any further review in the Court of Appeals because that Court's rulings are deemed final. They provide the law of

the case. The doctrine is thus declared in *Thompson* v. *Maxwell Land Grant and Railway Company*, 168 U. S. 451, 456 (1897):

> "It is the settled law of this court, as of others, that whatever has been decided on one appeal or writ of error cannot be reexamined on a second appeal or writ of error brought in the same suit. The first decision has become the settled law of the case."

Even if it should be held that certain factual issues require litigation, the District Court and the petitioners, particularly the Association whose operations are nationwide and whose mark is one of the country's best known, should have the immediate benefit of the resolution of questions of law upon which two Circuits and even members of the same bench are divided. The influence of the Lanham Act upon the nation's commerce and the generally acknowledged urgent need that the controversial questions presented be resolved make this a case of general importance in which this Court should exercise its power to review in order to secure uniformity of decision.

This Court has granted a writ of certiorari in similar instances. In *Gay, Receiver*, v. *Ruff*, 292 U. S. 25 (1934), at page 30, this Court said: "The jurisdiction to review interlocutory orders was exercised in *American Construction Co.* v. *Jacksonville, T. & K. W. Ry. Co.*, 148 U. S. 372; *Denver* v. *New York Trust Co.*, 229 U. S. 123, 133; *Spiller* v. *Atchison, T. & S. F. Ry. Co.*, 253 U. S. 117, 121; and *Du Pont Powder Co.* v. *Masland*, 244 U. S. 100."

While this case involves an interlocutory order, it is the type of interlocutory order which should be reviewed by this Court so as to resolve the direct conflict between the Courts of Appeal for the Second and Ninth Circuits and to assure uniformity in interpretation of the Lanham Act.

POINT II.

The basis of the petition is the conflict of authority on important questions of law and not the correctness of the particular interpretation of the Lanham Act followed by the Court of Appeals below.

Respondent argues at length in support of the rulings of the Court of Appeals below. At no point, however, does he deny that the interpretations which he champions are directly in conflict with those of the Court of Appeals for the Ninth Circuit. It is this conflict, together with the national importance of the questions involved, which require the granting of the petition. However strenuously respondent may urge one line of authority as against another, he only thereby emphasizes the conflict. As said in 66 *Harvard Law Review* 1094, cited by respondent, at page 1104, "The courts are divided on the existence of a federal right against unfair competition," and "large areas of uncertainty still remain" (page 1094). The author also notes that "The Supreme Court has not passed on any problems dealt with in the Wiley Bill or in this note; the only Lanham Act case, *Steele* v. *Bulova Watch Co.*, 344 U. S. 280 (1952), concerned the extra-territorial applicability of the Act." Thus this Court has not as yet interpreted the more controversial sections of the Act, although it has been urged to do so. See, for example, "The Sixth Year of Administration of the Lanham Trade Mark Act of 1946" (*Patent, Trade Mark and Copyright Weekly Reports*, Vol. 98, No. 8, quoted in Supplement to Petition) and "Trade Mark Infringement and Confusion of Source: Need for Supreme Court Action," (*Virginia Law Review*, Vol. 35, page 214).

POINT III.

Respondent has advanced a number of other contentions which do not bear upon the granting of the writ and which are in themselves unsound.

Petitioners do not propose to discuss at length contentions of respondent which do not bear upon the granting of the writ. However, the major assertions of respondent may be disposed of as follows:

The defenses: The lengthy exposition of the "unclean hands" defenses is inappropriate as an argument against the granting of the writ. All of the facts upon which such defenses are based were fully developed by petitioners' admissions, depositions and affidavits. At most, these defenses present an additional question of national importance constituting another reason for granting the writ.

Jurisdiction: Respondent argues both lack of federal jurisdiction and that a trial may render the jurisdictional question moot. In support of the lack of jurisdiction argument the Court of Appeals ruling is advanced. This, however, is obviously one of the rulings challenged in this proceeding; respondent may not "hoist himself by his bootstraps" and urge this as a reason for denying the petition. Illogical, too, is respondent's suggestion that the question of jurisdiction should await a trial of respondent's defenses. Jurisdiction is, of course, a first consideration.

The federal cause for unfair competition: Respondent urges (respondent's brief, page 19) that the presence on the statute books of 28 U. S. C. 1338 (b) negatives the contention that the Lanham Act creates a "federal cause" for unfair competition and that, had the Congress intended

to create such a cause by the Lanham Act, it would not have unnecessarily passed 1338(b). No such matter is raised in the petition nor in this case. However, if respondent's argument is intended to refer to the jurisdiction of the federal courts in unfair competition cases, it would apply equally to 28 U. S. C. 1338(a) in which Congress purported to grant jurisdiction to the federal courts over trade-mark cases. Obviously, if Congress had intended by the Lanham Act to grant such jurisdiction, said paragraph 1338(a) would be superfluous and meaningless. It can scarcely be argued that the Lanham Act and previous acts had not granted federal jurisdiction over trade-mark cases. The conclusion is thus inescapable that jurisdiction over both trade-mark cases and unfair competition cases was duplicated by passage of 28 U. S. C. 1338(a) and (b).*

The "palming-off" doctrine: Respondent contends (respondent's brief, pages 17 and 18) that the Lanham Act did not enlarge the concept of infringement beyond the "palming-off" doctrine or confusion of source test. Respondent, in effect, states that 15 U. S. C. 1114 (1) (b) merely repeats 15 U. S. C. 1114 (1) (a) except that (b) applies to counterfeiters or reproducers while section (a) applies to users. However, respondent's position is patently unsound since section (b) on its face creates new liabilities and grants new remedies not found in section (a). For example, any one who counterfeits labels which he intends to use in commerce may be enjoined although his infringement is merely threatened and even though he has no knowledge that his acts will cause confusion

* An explanation of this duplication is found in the legislative history of the two statutes. 28 U. S. C. 1338 was enacted June 25, 1948, but the House Judiciary Committee Report of April 25, 1947 accompanying the bill H. R. 3214 stated "This revision includes all applicable laws in effect March 10, 1947". However, the effective date of the Lanham Act was July 5, 1947 (15 U. S. C. 1051).

or mistake. However, if he has such knowledge, damages may be recovered. The question remains whether Congress intended to bring within the act any use of a trade-mark which confuses and deceives purchasers even though such confusion and deception does not relate to the origin of the goods. Respondent's contention that a trade-mark counterfeiter stands in a worse position than an unlicensed trade-mark user is illogical, merely goes to the merits of the question and illustrates the divergence of opinion which this Court is called upon to resolve. It in no way detracts from the force of petitioners' argument that certiorari should be granted.

POINT IV.

Petitioners have accurately presented the record to this Court.

Respondent attributes inaccuracies to the petitioners in the following respects:

Whether the Court of Appeals below passed upon the respondent's defenses: It is submitted that the words of the Court of Appeals speak for themselves: "* * * We do not now decide anything about the defenses * * *".

Whether respondent has admitted the use of the letters "AAA" enclosed within an oval to deceive motorists: That respondent has made such an admission is borne out by a reading of the record (181-183).

The position of respondent is based entirely on self-serving statements contained in his answer, affidavit and deposition which statements were rejected by the District Court.

Conclusion.

For all the reasons stated, both here and in the Petition, the petition for writ of certiorari should be granted.

Respectfully submitted,

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